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Report Highlights:

Abastur*Farmer Coalition*More Work Needed To Raise Coffee

Consumption*Cracking Contraband*Oaxaca Governor Calls For Compromise In

"Hamburger vs. Tamale" War*Mexican Central Bank Raises Interest Rates As

Peso Plunges

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

ABASTUR

On October 2-4, 2002, ATO/Mexico City will participate in the largest hotel and restaurant show in Mexico, ABASTUR. The ATO will host 32 U.S. exhibitors in its U.S. Pavilion. FAS Administrator, Ellen Terpstra, will open the show on October 2. This is the third year FAS has been sponsoring a U.S. Pavilion at ABASTUR. Last year, 31 U.S. exhibitors participated in the Pavilion, with projected sales of US\$4.5 million directly attributable to the show. Products of particular interest included waffle flour, frozen biscuits, cocktail mixes, turkey products, ice-cream, cheese, cream cheese, shredded mozzarella, popcorn, pork ribs and chicken products. Mexico's hotel, restaurant and food service sector (HRI) was growing at a rate of 4-6% per year from the mid-1990's through 2001. However, sales in 2002 are likely to shrink, mainly due to the reduced flow of North American tourists after the events of September 11, 2001. Approximately 80% of Mexico's tourists are from North America. Still, the HRI sector presents many export opportunities for U.S. exporters of value-added, consumer-ready food products. Sales of U.S. consumer-ready food products to the HRI sector were just under US\$1 billion in 2001. The Mexican tourism industry is ranked eighth in the world with respect to volume of visitors, and eleventh with respect to tourism-generated income. Over 20 million tourists come to Mexico every year, and restaurant sales exceeded US\$14 billion in 2001. (Source: ATO/Mexico City, 9/23/02)

FARMER COALITION

A local daily reported Sunday, September 22, 2002, that two of the nation's largest unions have announced plans to form a new coalition with *campesinos* who blocked the construction of the capital's planned airport. The National Teachers' Union (CNTE) and the National Electricians' Union (SME) announced their plans to consolidate power and focus on a strategy to block privatization in the nation's electricity sector. The unions agreed to work with farmers from San Salvador Atenco, a township whose series of violent protests dissuaded the federal government from building Mexico City's new international airport on their farmland. (Source: *The News*, 9/23/02)

MORE WORK NEEDED TO RAISE COFFEE CONSUMPTION

Mexico is the world's fifth-largest coffee producer, and also one of its smallest consumers. Most of the coffee Mexico does consume, about 700 grams (25 ounces) of coffee per capita per year, is an imported instant coffee blends. In the United States, the average coffee drinker consumes as

much as 4 kilograms (26.5 pounds) of coffee each year, and consumption is several times that in some European countries.

Boosting consumption of roast and ground beans in Mexico is one pillar of a global campaign by the British charity Oxfam. Launched on Wednesday, September 18, 2002, the campaign aims to help coffee producers pull out of a three-year crisis that left many farmers in developing countries unable to feed their families, send their children to school or seek basic medical help. The campaign asks big coffee firms to urgently steer more of their profits towards farmers. Oxfam has called on the world's big five roasters, Kraft Foods, Nestle, Procter & Gamble, Sara Lee and Tchibo, to rethink their role in the lives of the world's 25 million coffee farmers.

Robert Gieseeman, president of the Mexican Coffee Council, has said the nation could not meet domestic demand if every potential coffee drinker consumed one cup of coffee per day. Mexico has a population of 100 million people. (Source: *The News*, 9/19/02)

CRACKING CONTRABAND

The Secretary of Economy, Luis Ernesto Derbez, said his Secretariat (SE) is working with the private sector and several government agencies to slash sales of contraband clothing by a third. "We have established a program with clothing industry representatives to take concrete actions to reduce sales in the illegal market by 30 percent, and thus increase sales in the legal market by 30 percent," he said. Derbez did not specify what the "concrete actions" will be. Corrupt customs officials and huge unlicensed bazaars have allowed a colossal black market in retail goods to flourish. Derbez said a new SE study found 90 billion pesos (US\$9 million) worth of contraband clothing and shoes are sold annually, more than a third of total sales. The clothing industry shrank by 10-percent last year compared with 2000, and industry representatives blamed competition from contraband and Chinese imports for the decline. (Source: *The News*, 9/23/02)

OAXACA GOVERNOR CALLS FOR COMPROMISE IN "HAMBURGER VS. TAMALES" WAR

The governor of the southern state of Oaxaca called for a compromise on a dispute between McDonald's and local residents opposed to the fast food giant's plan to open a restaurant in Oaxaca City's historic main square. Rather than exacerbate the "burger vs. tamale" debate that has absorbed much of the city over the past few months, Governor Jose Murat suggested the fast food chain might want to find a less controversial location for its restaurant. Making his first comment on the issue since activists, led by Oaxacan painter Francisco Toledo, declared a protest against the construction, the governor urged citizen and business leaders to take the "sensitivity" of the issue to heart. "This debate can't be reduced to a confrontation of cuisines," he said. "It has more to do with the cultural heritage of the Oaxacan people not being offended or damaged." The protesters argue the McDonald's would sully the image of Oaxaca City's 450-year-old town center and that fast food chains are an insult to the state's diverse cuisine. Though Murat said the areas around the two main squares should be managed very carefully, he emphasized businesses should also be given an appropriate space within the city. "It's time to end this stupid, misdirected, sterile debate because there's a place for everyone in Oaxaca," he added. He said cultural rather than strictly legal considerations should be used to determine the outcome of the

dispute. "It's not a question of legislating but of preserving our cultural heritage," he said. (Source: *The News*, 9/24/02)

MEXICAN CENTRAL BANK RAISES INTEREST RATES AS PESO PLUNGES

The government moved to raise interest rates after the peso fell to its weakest level in more than three years and economists forecast that higher inflation could hamper the recovery of Latin America's biggest economy. The central bank said, in an e-mailed statement, it lowered the amount of peso loans it makes to banks each day by 100 million pesos (US\$10 million). Under a system designed to raise interest rates, the bank will provide banks with 400 million pesos a day less than demanded compared with 300 million pesos set on April 12, 2002. Mexico's peso has lost 15-percent of its value against the dollar since early April because of concerns that a slowing U.S. recovery will cut demand for Mexican goods and reduce investment. A weak currency undermines investor confidence, makes foreign debt harder to pay and fuels inflation as companies raise prices to preserve earnings. Mexico's benchmark stock index has fallen 23-percent since April. The currency had earlier weakened to 10.38, its lowest point since January 14, 1999, the day after Brazil devalued its currency. Investors say they are increasingly concerned a war with Iraq would weaken the U.S. economic recovery, cutting demand for Mexican goods. A threatened strike at Petroleos Mexicanos, the state-owned oil company, would also reduce government revenue and raise gasoline prices. The country's annual inflation rate at the end of August 2002 was 5.29-percent, higher than the government's year-end target of 4.5-percent. In the statement, the central bank said expectations for inflation next year are "still substantially above the target of 3-percent." Mexico's ability to keep a stable inflation rate, currency and interest rates have helped it avoid much of the impact of deep recessions in other regional players and a possible default in Brazil, economists said. (Source: *The News*, 9/24/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	TITLE	DATE
MX2132	Weekly Highlights & Hot Bites, Issue #31	9/18/02
MX2133	Sugar Semi-Annual Report MY 2002/03	9/20/02
MX2134	Promotion Opportunities	9/17/02

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